

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FLEMING-MASON )  
ENERGY COOPERATIVE CORPORATION ) CASE NO. 2007-00022  
FOR AN ADJUSTMENT OF RATES )

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PUBLIC SERVICE  
COMMISSION

**JOINT SETTLEMENT STIPULATION AND RECOMMENDATION**

It is the intent and purpose of the parties to this proceeding, namely the applicant, Fleming-Mason Energy Cooperative Corporation (FMEC) and the intervenor, Attorney General of the Commonwealth of Kentucky to express their agreement on a mutually satisfactory resolution of all of the issues in the instant proceeding which shall hereafter be referred to as the "Stipulation" and/or "Recommendation".

It is understood by all parties hereto that this Recommendation is not binding upon the Public Service Commission ("Commission"), nor does it represent agreement on any specific theory supporting the appropriateness of any recommended adjustments to FMEC's rates. The parties have expended considerable efforts to reach the stipulation and agreements that form the basis for this Recommendation. The parties, representing diverse interests and divergent viewpoints, agree that this Recommendation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

In addition, the adoption of this Recommendation will eliminate the need for the Commission and the parties to expend significant resources in litigation of this proceeding, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein. Based upon the parties' participation in settlement conferences and the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties hereby stipulate and recommend the following:

1. FMEC acknowledges that previous management personnel were Ordered by the Commission in PSC Case No. 2001-00244, dated August 7, 2002 to "not extend or renew any existing debt service loans nor commit to any new debt service loans without prior approval by the Commission and to make certain disclosures and reports to its membership regarding their subsidiary, Fleming-Mason Service

Corporation. FMEC acknowledges that these requirements, contained in the Commission's previous Order, were not accomplished in a timely fashion due to inexcusable neglect. FMEC states to the Commission that such requirements referenced in the Commission's previous Order have now been accomplished and further, that the FMEC intends to fully comply with all future Orders of the Commission regarding its operation.

2. FMEC should be permitted to adjust its rates in order to permit it to recover more in annual revenue than it is recovering under its current rates, with such rates to be effective for service rendered after December 24, 2007. The exhibits attached hereto reflect a stipulated reduction of \$534,871.00 from the original rate increase requested amount of \$3,784,008 for an amended rate increase amount of \$3,249,137.
3. FMEC's proposed tariff revisions should be adopted as are reflected in its original application as amended by this Stipulation and Recommendation. Amended tariffs are attached hereto as "Exhibit A" and which reflect the stipulated reduction in rates.
4. Attached to this Stipulation and Recommendation are proof of revenue sheets, showing that the rates set forth in Exhibit A will generate the proposed revenue increase to which the have agreed herein and which will allow FMEC to meet its 2.0 TIER.
5. Each party hereto waives all cross-examination of witnesses of the other parties hereto unless the Commission disapproves this Recommendation or unless such cross-examination is necessary to support this agreement. Further, each party stipulates and recommends that the Notice of Intent, Notice of Application, testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record.
6. This Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving FMEC or any other utility.

7. If the Commission issues an order adopting this Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.

8. If this Recommendation is not adopted in its entirety, each party reserves the right to withdraw from it and require that hearings go forward upon any or all matters involved herein, and that in such event the terms of this Recommendation shall not be deemed binding upon the parties hereto, nor shall such Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party hereto, the Commission, or its Staff in any such hearing.

9. The parties hereto agree that the foregoing Recommendation is reasonable and in the best interests of all concerned, and urge the Commission to adopt the Recommendation in its entirety.

WITNESS the signatures of the Parties or their designated representatives this 1st day of November, 2007.

FLEMING-MASON ENERGY  
COOPERATIVE CORPORATION

BY: Marvin W. Suit  
MARVIN W. SUIT,  
COUNSEL FOR PETITIONER

KENTUCKY ATTORNEY GENERAL

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